THE DIVERSE PATHS OF THE GLOBAL DRIVE TOWARDS SUSTAINABILITY

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1. Introduction

The Millennium Development Goals are the world's agreed goals to cut poverty, hunger, and disease. Established in 2000, their targets were to be met by 2015. Importantly, there is already broad agreement on a set of shared goals. Those goals are achievable. The scale of the challenge of implementation on the nowadays troubled world is first-rate. The world is in change of heart. Example: The King of Capitalism, Mr. Gates, comes full-time philanthropist! The world is driving into a major global slowdown, likely to be the worst in a quarter-century, perhaps since the Great Depression. Many are already turning to the International Monetary Fund for help.

While developed countries engage in stabilizing countercyclical policies, developing countries, as well emerging markets would be forced into destabilizing policies, driving away capital when they need it most. The worry is that, at least in some cases, the IMF will go back to its old failed recipes: fiscal and monetary contraction, which would only increase global inequities, showed at G 20 "group therapy" recent event. So, let see if the world may be at a new "Bretton Woods" moment.[1]

History teaches us that, even though global financial markets flop into further problems in the 1920s, followed by the Great Depression of the 1930s, in the long traction after the end of the Second World War, the market economy has been exceptionally dynamic, generating unprecedented expansion of the global economy over the past 60 years. But, it took world almost 15 years and a 'world war' to come together to address the weaknesses in the global political and economical stability that contributed to the Great Depression. It is to be hoped that it will not take us that long this time, because given the level of global interdependence the costs would simply be too high.

On the other hand, the global economic crisis will be with us for a generation, not just a year or two, because it is really a deep transition process to sustainability. The scarcity of primary commodities and damage from climate change in recent years contributed to the destabilization of the world economy that gave rise to the current crisis. Soaring food and fuel prices and major natural disasters played an important role in undermining financial markets, household purchasing power, and even political stability.

Viewed in this way, an essential policy that developed and developing countries should pursue in overcoming the crisis is to build infrastructure suitable for the twenty-first century. This includes an efficient electricity grid fed by renewable energy; fiber and wireless networks that carry telephony and broadband internet; water, irrigation, and sewerage systems that efficiently use and recycle fresh water; urban and inter-city public transit systems; safer highways; and networks of protected natural areas that conserve biodiversity and the habitats of threatened species. Developed countries should agree to channel considerable savings to developing countries to finance the scale-up of sustainable investments.

This can be done directly on a bilateral basis, for example, through long-term loans from developed countries' export-credit agencies. It can also be done multilaterally, by raising the infrastructure investment flows from the World Bank and the regional development banks (including the Inter-American Development Bank, European Investment Bank, African Development Bank, and Asian Development Bank). Both channels should be used. Higher investment and social spending in poor countries will stimulate the entire world economy, spur economic development, and promote environmental sustainability through investments in renewable energy, efficient water use, and sustainable agriculture.[2]

The G-20, which comprises the world's largest economies, offers the natural setting for global policy coordination. The rich world should not be grudging in its help to developing countries. In other words, it is time for donors to step up to help reform-minded yet poor countries like those in Asia and Africa, hat are similarly committed to economic development. Rather than rich countries giving more lectures about poor governance, real solutions will require that rich countries give sufficient financial assistance to overcome the deeper barriers of the "Kingdom capitalism philosophy."

The "Kingdom capitalism philosophy" debacle should be a wake-up call to the rich world to do justice to the bold vision of a world of shared prosperity that prompted its creation after World War II.

2. Transition Economies

The transformation of the former communist countries from almost completely state owned to mostly privately-owned economies is one of the fundamental events in recent economic history.

According to many definitions, a transition economy is an economy which is changing from a centrally planned economy to a free market economy. The term "transition economy" is frequently used to refer to the countries of Central and Eastern Europe after the fall of the communist or socialist regimes in the end of the 1980's. Thereby, transition means the status of those countries during the evolution from a command-planned economy to a market-based economy - capitalist system.

Transition process is usually characterised by the changing and creating of institutions, particularly private enterprises; changes in the role of the state, thereby, the creation of fundamentally different governmental institutions and the promotion of private-owned enterprises, markets and independent financial institutions.

Transition economies undergo economic liberalization (letting market forces set prices and lowering trade barriers), macroeconomic stabilization where immediate high inflation is brought under control, and restructuring and privatization in order to create a financial sector and move from public to private ownership of resources.

The transformation process in Central and Eastern European countries was and still is a fundamental socio-economical change, mainly based on the creation and promotion of private property rights. Thereby, property rights are the essential and most basic elements of any type of market-based economy and define fundamental terms like interest, money and credit but also value, price, profit and market.

However, both, the starting point and the current stage of the transition process may vary from country to country. A transition in that sense is not a simple, linear, one dimensional progression to a sustainable market based economy.

As described by Oleh Havrylyshyn and Thomas Wolf[3], transition in a broad sense implies:

• liberalizing economic activity, prices, and market operations, along with reallocating resources to their most efficient use;

• developing indirect, market-oriented instruments for macroeconomic stabilization;

• achieving effective enterprise management and economic efficiency, usually through privatization;

• imposing hard budget constraints, which provides incentives to improve efficiency; and

• establishing an institutional and legal framework to secure property rights, the rule of law, and transparent market-entry regulations.

A market economy is driven by the profit seeking of the owners of privately owned enterprises. Therefore, the privatisation of state-owned enterprises (SOE's) became a central element of the transition process not only in the countries of Central and Eastern Europe.

A further essential component of a market economy is the necessity of markets as the key arena in which enterprises and households interact. Well functioning markets are trading platforms, a source for the exchange of information, and above all, the main creators of competition. They are responsible for the allocation of resources over time, for the distribution and assessment of risks, for payment mechanisms, and for the enforcement of financial discipline. On the other hand, they are the main capital suppliers; their failure to provide the market with needed capital may affect the macro economic situation of the countries in transition.

Furthermore, the state in a market economy is not eliminated but is charged with relatively distinctive tasks as in other economical systems. The task of redefining and creating a strong but limited state is fundamental to the transition process.

Instead directing output and resources, as typically in a command economy, the role of the state is to set, supervise and enforce the basic market principles and rules, provide for certain goods, services and facilities, and ensure different rights and guarantees. The degree of governmental involvement in market decisions varies widely among developed market economies and may be more intense in transition economies.

Many of those functions and obligations rest in a market economy with independent and self-sustainable or self-regulatory institutions and organisations. The building up of such an institutional infrastructure may take a reasonable period of time and therefore may be a considerable barrier in the transition period.

According to these observations[4] it might be possible to use the term "transition economy" also in a wider context, covering a wider range of countries than merely the jurisdictions in Central and Eastern Europe.

Firstly, there are countries outside of Central and Eastern Europe, emerging from a socialist-type command economy towards a market-based economy, like India and China. Because of that, though India's one billion people constitute nothing less than one-sixth of humanity, and notwithstanding the fact that India is the world's largest democracy, India may be the most important unheralded story of the world economy in coming years, as a world's economic leaders, and an engine of global economic development.[5]

Moreover, it might be justifiable to categorise several other types of economies as in transition as well. One has only to remember the key elements of a market economy and the typical facets of the economical, social and political transition process. Economies, which attempt to change their basic constitutional elements towards market-style fundamentals, undertake a transition in a wider sense. Their origin could be also in a post-colonial situation, in a heavily regulated Asian-style. The most important example therefore provide surely the reform efforts of the Peoples Republic of China, economy in a Latin American post-dictatorship or even in a somehow economically underdeveloped country in Africa.

2. 1. Key Features of Transition Economies

However, transition economies are usually characterised by one or more of the following features:

• In transition economies prevails commonly a strong governmental interference in markets and related activities of participants;

• They have frequently developed a system of weak private-ownership rights, which is complemented by some form of extensive public or state ownership rights;

• Additionally, domestic markets are regularly shielded from international competition combined with a low level of competition among national participants;

• Finally, they lack of the usually institutional infrastructure, essential to support a market economy.

Consequently, the mere economical development does not provide a valid standard to identify a transition economy. According to the above-mentioned criteria, a country may be highly developed but in a phase of a transition in order to apply more market-based structures and principles.

A good example therefore provides South Korea. Before the Asian crisis, South Korea was the eleventh largest economy in the world, the world's third largest automobile exporter and one of the largest steel producers and shipbuilders[6]. Nevertheless, the Korean economy was heavily affected by structures and elements incompatible with principles of a well-functioning market economy. Currently, South Korea is in a transition process to more market-based principles and structures and thus became temporarily a transition economy. The existence of private property rights may be the most basic element of a market economy and therefore implementation of these rights is the main indicator of transition process.

2. 2. Transition Indicators

The most comprehensive analytical tool for assessing the overall progress achieved by an individual country in the transition progress has been developed by EBRD[7]. Its rating system – published in its annual publication: Transition Report, but has been refined and amended in subsequent reports – focuses on eight elements of a market economy: (1) Small-scale privatization; (2) Large-scale privatization; (3) Enterprise governance and restructuring; (4) Price liberalization; (5) Trade and foreign exchange liberalization; (6) Competition policy; (7) Banking reform; and (8) Securities markets and non-bank financial institutions.

Progress in each of these areas represents an improvement in how well markets, enterprises, and financial institutions function, and the progress is measured against the benchmark set by industrialized countries. The measurement scale for each individual indicator ranges from 1 to 4+; with 1 representing little or no change from the old regime, and 4+ representing a standard that is in place in a mature market economy. The basic features of the early days of capitalism after the demise of socialism are denationalization, privatization, property restitution, the participation of foreign direct and portfolio investment and the rise of financial intermediaries to accompany the private sector's expansion. Given the relatively poor performance of the centrally planned economies before the transition, most academics and policy makers expected privatization to result in greatly improved economic performance. As it turned out, the post-communist countries went through a deep recession in the first three to eight years of the transition, a period that usually coincided with the launch of privatization. These developments have a major impact on the changes in income distribution and, of course, on the growing inequality. The fundamental shift of assets from state to private hands has been followed by a shift of the income earned on these assets, going in the same directions.

Obviously, these changes have also increased inequality. As a result, existing poverty and

lack of social protection clashed with the vision of market economy under "people's capitalism".[8]

2. 3. Types of Transition Economies

The political sustainability of any transition from a state-run to a market-based economy is linked to the population's ability to tolerate the social costs of adjustment[9] Hypothesis mainly focuses on jurisdictions from Central and Eastern Europe and in Asia region. These jurisdictions have in common that they emerged from a communist or socialist regime mainly dominated by the former Union of Soviet Socialist Republics and by the colonial powers.

Characteristic measures of a planned economy are that production requirements were determined annually by the government; that costs and revenues were determined pursuant to a central plan; that production assets are owned by state or government as "public property"; that no competition among enterprises was existing and market-shares were determined by plan; that those economies had only limited access to "world markets" due to the lack of freely convertible currency; that enterprises were generally agents of the governments without independence and their own decision making competence; that in order to avoid unemployment, the workforce was kept too high without consideration for efficiency; and finally, enterprises were usually charged with a variety of social functions.

However, even with this common background are they quite different and might be therefore divided broadly into 4 groups:

• The first group; consists of countries west of the former Russian imperialism, which were never formally part of the USSR but came under Russian domination after the 2nd World War. In all of those countries the socialist government were abolished in between 1980-1989.

• A second group; consists of countries that were part of the USSR since its foundation in 1922, and which gained their independence in 1991, shortly after the aborted military overthrow in Moscow.

• The third group; are countries that were formally part of the Russian Empire after its occupation in 2nd WW. These countries gained their independence in 1989 or after the military coup in 1991.

• The fourth group; consists of countries of the West Balkan region, which are Albania and the successor states of former Yugoslavia, Croatia, Bosnia and Herzegovina, Serbia, Kosova, Montenegro and Macedonia.

2. 3. 1. Post-Socialist Transition Economy

Generally, these countries have a quite different and unique historical development in comparison to the countries of group 1-3. Ex-Yugoslavia, for example, was a small example of mixed system, so called people's capitalism directed by communist party, but not dominated by the Russian Empire, after 1948 year. After the breakdown of the Soviet Empire and substantial changes in whole Europe, Former Yugoslavia felled into an ethnic freedom wars from which it is still suffering and paying a big price for it.

Albania, on the other hand, closed uncommonly itself to the East as well as to the West for decades and currently is in good shape in economic development and political processes joining the NATO alliance last days. Price liberalization, stabilization, and privatization were pursued since 1992, after democratic elections, with varying degrees of commitment, and these policies, even if implemented incoherently, reshaped the economy of Albania and today it has the large scale of economic growth in Europe.

Additionally, we may differentiate between economies that had already some experiences with a market-style economy prior to the 2nd WW and on the contrary, transition economies, which did not have such experiences.

In several Central European Countries, western-style legal system and market economies existed already prior to Second World War. In most of those countries remained substantial parts of the legal system intact but were simply not used during the communist era. Poland, for example, is still using its Bankruptcy Law, which was promulgated as presidential order in 1934 but was recently amended many times. Other countries, mainly states of the former USSR, did not have that tradition and consequently, commercial, especially insolvency laws had to be newly drafted and enacted.

2. 3. 2. Post-Colonial Transition Economy

Another type of a transition economy is formed by countries, formerly dominated and governed by the colonial powers. These countries have usually a number of features in common and may be therefore grouped under one heading.

Usually, the colonial powers have imposed their administrative and legal system on their colonies without adjusting the structures to the cultural, traditional, economical or social needs and realities existing in these countries. Frequently, they exported even their commercial laws including and company legislation. After independence from its colonial powers, many of those former colonies have turned or turning towards the development of market-based economies.

Generally, basic legal structures did exist but were outdated and therefore insufficient to cope with the challenges of a modern market economy. The reform of basic commercial laws and other basic legislation rules became an important issue on government's agenda of those countries. Recently, India achieved notable successes more recently, though much remains to be accomplished.

By the end of 1998, China's economic reform has gone through two full decades. China's transition from a planned to a market economy has often been portrayed as a gradual and experimental process, or in Deng Xiaoping's widely quoted phrase: "crossing the river by groping for stones." It was actually a big success: it generated high growth, dramatically improved people's living standards, and eliminated shortage, the common symptom of all planned economies. Its significance can only be understood when compared with the seemingly similar reforms in Eastern Europe prior to 1990. Similar stories might be told for Poland and the Soviet Union.[10]

Following the Second World War, the socialist project and the project of the first post-colonial states share some features and ideals. They had in common how they respectively treated ethnic identity and religion: both assumed a position of neutrality or equal treatment (secularism) of the state towards these realities. So India practised secularism with respect to religion, and Yugoslavia with respect to ethnicity. Both models (the socialist and secular project) have so far failed in promoting and improving on their basic principles. This period starts with partition for India and Pakistan, but ends in partition for the former Yugoslavia, Both post-colonial transition and post-socialist transitions are capitalist transition supposed to converge.[11]

2. 3. 3. Kosova as Part of Mixed Transition Process

In this type of a post-socialist transition economy and post-colonial transition society is incorporated and the Republic of Kosova.

For Kosova 1981 was supposed to be a fresh start, the awakening from a nightmare of Serbian colonial appetite. But 1989 also awakened ancient antipathies and mythologies that had been repressed in the Communist era. Who would have thought that in the beginning of the 21st century Serbian mythologies over the Battle of Kosovo of 1389 could inflame a population behind the murderous nationalism of dictator Milosevic? Nobody normal! At this impasse situation, we had the freedom war and today Kosova are fee and independent country

Kosovo economy is experiencing a painful transition. The old industrial, government-run Yugoslav model is dead. In its place a service, small business-based economy is being born. Kosova, like other Balkan countries (Albania, Macedonia, etc.) is a country whose prosperity depends on foreign aid and remittances from abroad.

According to IMF report[12], under the impetus of a massive infusion of foreign assistance and private inflows, the Kosova economy staged an exceptionally strong recovery immediately after the end of the war. However, the very dependence on such foreign inflows renders the gains achieved so far fragile and the economy vulnerable.

While some analysts say the unemployment rate is as high as 30 to 60 percent, but we think, 40% percent is a more accurate figure. It is true that most Kosovars work outside the formal economy and most workers are pare time-employed meaning they work less than full time. There are no government payments to the unemployed, except some social contribution as a human aid.

Kosovo experienced a kind of economic recovery (small boom) four-year ago as huge volumes of reconstruction money flowed into the country following the war with Serbia's military and police forces. Growth rates reached 11 percent, a rate that could not be sustained as aid flows fell. Assistance from developed countries can make a big difference. In the same direction goes the Brussels donor conference for Kosova.

The small business sector is now growing at a rapid pace. It shows everywhere. It is a services-based economy and its growth even offsets the withdrawal of donor support. Analysts say the absence of clarity on Kosovo's final status until 17 February 2008, when Kosova declared the independence, has been a deterrent to foreign investment. But despite political problems and security issues, Albanians living abroad are bringing money into Kosovo.

According to the official statistics[13], the level of workers' remittances in 2003 is estimated at 13.7 percent of GDP, comparable to the highest levels in the region. So, in Kosova we have made significant progress, though not enough, in making our country a place where non-Kosovar companies can do business. This welcome has been extended to individuals as well as companies. I am sure Turkey has a good experience with our people and businesses.

Nearly a decade into the post-conflict transition, Kosova finds itself at a critical circumstances. While there are many positive signs, including progress in institution building and noteworthy macroeconomic stabilization, there are also reasons for concern, even if Kosova economy is producing growth of four- to five percent a year. This is fast enough to absorb the 35,000 new entrants into the work force each year.[14]

Limited progress in restructuring the publicly owned enterprises (POEs) has entailed significant economic cost. The de facto closure of the main mining company has virtually shut down an important sector of the economy. Even though privatization of socially owned enterprises (SOE) was resumed recently, after changes to operating policies and independency of Kosova, the long uncertainty has damaged prospect to attract investment.

However, despite emphatic progress, interminable problems remain. The privatization of state industries finally is not complete. There are significant disputes over land and enterprise ownership. Traditional trade flows have not been re-established. Even the CEFTA (Central European Free Trade Agreement) group is soulful to independence of Kosova. The electricity supply is not stable and the energy sectors need reform and investments.

The following key findings emerge from this analysis and make it possible to draw a few conclusions about the way forward. Analysts detect clear signs of progress as Kosova moves towards more successful. Privatization should proceed without further delay, and legislation defining land-use rights for liquidation cases should be necessary.

We must act quickly and decisively to repair our financial markets, who require a solid legal framework to function, and start to turn the economy around. We are aware these are titanic and complicated tasks, and we believe that many worthwhile policy solutions can be found in the sense of strengthening the economy and raising the living standard of all citizens of Kosova.

Still, our best guess is that this cyclical downturn (recognizing nature) will prove temporary, and that on a medium term perspective, Republic of Kosova will continue to demonstrate a strong capacity to achieve economic growth and political confidence to compete with other in the region.

Kosova as an emerging country owe the Turkey having deep and intensive historical and socio-cultural relations and connections with of the rich country like Turkey. So, we expect that Turkey would lead the Balkan countries' integration process into the European Union in the near future, strengthening the civil society as a critical valuable item to successful transformation whereas democracy and market capitalism appeared as clear in Turkey. The main goal and top priority of Kosova Foreign policy is the EU membership.

3. What Does Exactly Capitalism Mean?

The global economic crisis began suddenly in the American autumn and is gathering speed at a frightening rate, and government attempts to stop it have had very little success despite unprecedented commitments of public funds. The question that arises most forcefully now is not so much about the end of capitalism as about the nature of capitalism and the need for change.[15]

We are seeing, in this financial crisis, a rebirth of Keynesian economics. We are talking again of his 1936 book 'The General Theory of Employment, Interest and Money,' which was written during the Great Depression. This era, like the present, saw many calls to end capitalism as we know it. The 1930s have been called the flowering of communism in western countries. Keynes's middle way would avoid the unemployment and the panics and delusion of capitalism. But it would also avoid the economic and political controls of communism.[16]

The standard definition seems to take reliance on markets for economic transactions as a necessary qualification for an economy to be seen as capitalist. In a similar way, dependence on the profit motive, and on individual entitlements based on private ownership, are seen as archetypal features of capitalism. However, if these are necessary requirements, are the economic systems we currently have, for example, in Europe and America, genuinely capitalist? All the affluent countries in the world – those in Europe, as well as the US, Canada, Japan, Singapore, South Korea, Taiwan, Australia and others – have depended for some time on transactions that occur largely outside the markets, such as unemployment benefits, public pensions and other features of social security, and the public provision of school education and healthcare. The creditable performance of the allegedly capitalist systems in the days when there were real achievements drew on a combination of institutions that went much beyond relying only on a profit-maximising market economy.[17] I hope I am the first who designate it as the "Kingdom capitalism philosophy" of the post Second World War.

Now the question is: will the "Kingdom capitalism" loses its vitality? Successful capitalism presupposes to exist three conditions: first, the legitimacy of the profit motive; second, healthy financial markets without which we will not recover; reform of the international financial institutions and adequate monitoring and surveillance mechanisms; and finally, a legal and political system that, aside from establishing property and contractual rights, also creates public acceptance. In other words, we need international cooperation in bad and good times alike. We need reform of the international financial institutions and adequate monitoring and surveillance mechanisms. Privatizing banks' profits and socializing their losses is not acceptable in democratic societies. The structure and timing of performance pay in banks must be more closely aligned to long-term shareholder interests and financial stability.[18]

4. Recognising Interests of the Community in Transition Economies

Community interests have generally in common, that they represent a non-economical but societal accepted interest of a certain community surrounding the transition in economy. Transition in economy may touch on many communities, which simultaneously co-exist, much like co-centric and interlocking circles.

By way of example, one imagines a situation where the main employer of a town or region has to undergo transition process. Firstly, there are several types of creditors, which are usually recognised by the transition law in an arranged manner. They might be employees, suppliers, lenders, or the fiscal that are involved with enterprise that is on transition.

But there are, on the other hand, other parties with a valid "moral/ societal claim" on the debtor. People depending on the performance or future existence of the debtor may be the family of creditors, the whole community of that town or region since the transition of the debtor may diminish the tax base.

Others suggest that particularly big businesses have developed to social and political centres, not only functioning as mere employer but also as "public institutions" within the society. The value they represent for the society cannot only be measured in economic terms. Stating only a few examples:

• They may provide a platform for communication and interconnection among people;

• They may financially support varying cultural activities through sponsoring and other means; or

• They may be accountable for education, training or care for elderly people.

Those aspects have to be considered when shaping the transition regime and thus deciding about the treatment of these enterprises under financial distress.

Because of the global nature of today's economy it is extremely common for corporations to have assets and operations in more than one country. But what happens when one of these multinational companies falls on hard times and is forced into bankruptcy? So one could possibly argue, that such non-legal claims do not matter in transition proceedings of the economy since the debtor would generally have the right to close or relocate its business when he would have became sol owner after the transition – without granting anybody a valid right in the future existence of that enterprise. That might be correct under a pure legal perspective – but definitely comes too short in a wider context. Bringing a humanistic element in the discussion of transition face may provide a means to consider and balance broader society goals. Particularly, where societies traditionally depend and rely more intensively on socially owned enterprises.

Another point to be mentioned is that, many western scholars criticise the employment of the transition law to promote social stability and other "non-economical policy goals", which are here summarised as interests of community. However, even though those critics may be valuable and in their countries acceptable for the situation of modern and developed market economies they might be not correct for many transition economies.

Contrary to many Western economies, where individualism dominates societal relations, the concept of and the philosophical orientation towards community is society rooted and well accepted in many transition economies. In the former communist states of Central and Eastern Europe for example, has developed a strong belief in communities, deriving from the communist ideology but also from legal institutions, as for example the dominating public ownership rights.

The most significant difference to Western societies is that transition societies function to a considerable degree on a non-legal interdependence among its inhabitants. Western societies, on the contrary, are broadly based on the rule of law and thereby function mainly through the reliance on legal entitlements.

In Western cultures predominates the concept of individualism, which provides the individuals with relative freedom supported by a great variety of legally enforceable rights. In that way, the legal entitlement has replaced moral and societal obligations.

The final economical outcome for enterprises should not be the only means when considering transition policies. A pure economical analysis focused solely on the debtor/creditor relationship is fraught with problems.

Also community interests must be considered and rebalanced in modern laws on transition of the country's economy.

5. Social Consequences of Transition Economies and the Impact of the Global Crisis

A dozen years have elapsed since the world witnessed the euphoria greeting the fall of the Berlin wall and now we are in front of the stock of the experiences of 20 years of economic transition and attempts to identify successes and failures with regards to both, theory and policy that may lessons might be learned for the future not only for transition countries but for emerging markets in general. In the presence of the current global economic crisis policy relevance even for the mature capitalist societies are expected.

Looking at the social consequences, the update of the figure[19] one results for 2007 are:

Country	**GDP in 2007 (1989=100)**
Czech Republic	130
Hungary	134
Poland	158
Romania	113
Russia	93

Source: EBRD 2008

The table shows that even after 19 years of economic transition growth rates are modest and income has certainly not multiplied. Despite high oil prices Russia has caught up to the 1989 levels and late comers to the European Union like Romania catch up very slowly.

The short term impact of the current global economic crisis is the accelerated decline of growth rates from the 2nd half of 2008 onwards turning into negative growth rates during the last quarter of 2008 and outright recession from 2009 onwards. Most transition countries suffered from a dramatic decline of capital inflows and even reversals of former investments. The decline in growth, which reached dimensions of 30 per cent in some countries fed back into the financial sector stress resulting in lower confidence. Huge bailout rescue packages added fiscal capital need in addition to the needs of the private sector.

The transition economies were hit by the global crisis at a moment where the economic environment used to look bright. This changed dramatically, as commodity prices are no longer supportive, in particular oil and gas, but also minerals and even manufactured goods. Also the export markets for transition economies deteriorated sharply. For Europe Germany would be the most important export market, but the business climate there hits an all time low. With Germany in recession at a rate about 3 per cent prospects for East European exporters are gloomy.

Short term prospects for transition economies would lie with the regression of financial development. This will affect the Small and Medium size Enterprise (SME) hardest, which experienced difficulties in accessing finance even in "normal" times. There are also signs of reversals of former large-scale privatisations in order to maintain the employment levels. Foreign direct investment is also falling sharply. A major challenge will be to maintain access to finance for the growth driving SME sector.

Under these circumstances private sector participation in large infrastructure projects as advocated by the EBRD and others will be more difficult. The biggest problem however is that trade liberalisation might be challenged, as new protectionism surges. These short term problems will add to the already existing long term challenges the transition countries are facing. The biggest challenge is that large gaps in labour productivities between mature Western economies and transition economies are still remaining after 20 years of economic transition.

6. Conclusions

Initial conditions and political institutions affect the probability that some countries will follow particular reform paths. But these structural factors can never predetermine outcomes in such complex and multifaceted processes as transition and the impact of the global crises.

The key challenge of the political economy of reform is to create the conditions that will generate incentives for new market entry and shift the emphasis of enterprises from rent extraction to entrepreneurship and productive investment.

The world needs new leaders who can mobilize alternative coalitions and spark collective action that tips the balance of power between the potential winners and losers from further economic reforms on transition to sustainability. Clever reformers can devise win-win strategies that co-opt their opponents to build support for reform.

A few decades of transition show the critical role of political leadership in shaping reform. A thorough political economy analysis of winners and losers from reform can set the parameters for understanding the likely pressure points in any system and provide guidance for crafting feasible reform strategies. But it cannot predict the quality or strength of the leadership of the reform process that will motivate the pace and direction of reforms.

Real change will arise from the people, and so the people should be empowered. Democracy is never built in a day. Throughout the Cold War, we viewed birth of the bipolar system as the best world solution, building the Group G 8. But in recent years we have lost the sense of deep changes around the world. Therefore, the global recession now underway is the result not only of a financial panic, but also of more basic uncertainty about the future direction of the world economy which as a salvage moment was considered establishing of the rich country group G-20. What should happen in the future to have expanded G-20 + ? This is a challenge ahead. But the large-scale changes will have to be coordinated, at least informally if not tightly, among the major economies.

Finally it should be emphasized that there were different paths of transition. Developing countries will need their own strategies, and soon. Market reforms are critical, especially freeing telecommunications from state monopolies so that private companies are free to invest in needed physical infrastructure. But governments should also foster an environment where much of the population gets on-line. Government agencies and public schools should be put on-line as fast as possible.

Even Western economists seem to have forgotten that capitalism develops in swings of business cycles. What seems clear is that even after 20 years transition is not over, in fact the current crisis of global capitalism is the intellectual challenge for thought on formation of human societies; we do need a more humane brand of capitalism, based not only on better regulation but on better values. This will clearly be a lesson for other emerging market economies.

In light of the current global economic crisis the whole process of economic transition to sustainability appears to be awkward. This however could be stated for almost the whole world. As the nature of the current crisis is of global character, one should not expect the transition countries to solve the problems by themselves. Like in mature capitalist countries these countries need to attempt to protect their core financial systems by improving its governance and structure.

Turkey has a responsibility to invest in addressing the major problems in the Balkan region and to share some of the responsibility with others in European Union and US to absolve the constraints which are so great.

We are impressed by the goodwill of the rich-country' leaders to come to concrete solutions, while they agreed to create a new 'Financial Stability Board' to monitor the financial system for signs of risks as a suite of a hundred billion package of aid to the rest of the poorer world. But, to be sincere, we don't have all the answers regarding these items highlights above, but we suggest the following five-point program as a guide to recovery the Balkan alliance with Turkey and other transition economies: focus assistance on the institutions of civil society; recognize the importance of the education and media and make sure that your commitment to the free flow of ideas never falters; consider forming a single global government to direct democracy, economy and human rights activities, and find new, effective leaders to run it.

Reflecting the rise of China, India, Turkey, Saudi Arabia and other emerging nations, there is the need of IMF to overhaul its management to better reflect the economic weight of its emerging member states. In the current climate, globalization requires international governance and rules. Instead of hearing more lectures from the IMF about cutting budgets, poor countries need larger budgets to pay for the required investments - roads, power supplies, ports, schools, and health clinics - to jump-start economic growth.

In the end, as mentioned above, intention is to find effective leaders to run the new institutions, like Financial Stability Board.

Can we do something about the world economy? Yes, we can do! I still believe in a fundamental principle of human ethical code: People like Mr. Gates, the Kingdom-Microsoft founder are the source of political and ethical power. With his help, we can build the kind of open, democratic and law-based society, developing constructive relations with G 20+, without sacrificing the interests of the G 8.

Speaking with great sympathy, Bill Gates, the Microsoft founder, a full-time philanthropist, now has a chance to lead the world financial industry in making clear: stopping and betterment of the mistakes made by "Kingdom capitalism" philosophy, and preventing the Second World Great Depression because he has learned, perhaps from a lifetime of doing the best: how and when to pick a fight. In a word, who can better to point that out than a young maverick billionaire like William Gates?

Underlying these points, however, the best message of this paper are the thoughts pointed out in his letter from the Bill & Melinda Gates Foundation: "I am impressed by individuals who continue to give generously even in these difficult times. I believe that the wealthy have a responsibility to invest in addressing inequity. This is especially true when the constraints on others are so great. Otherwise, we will come out of the economic downturn in a world that is even more unequal, with greater inequities in health and education, and fewer opportunities for people to improve their lives."

The financial crises wiped out much wealth, but Gates, Buffet and Slim are still on top. As Steve Forbs saying, at the Forbes Video Network, most of them are innovators, entrepreneurs, creators of new jobs – grower of the global economy; so, the entrepreneurial spirit is not dead and they will come back again to help people in need. I hope so.

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[14] The national accounts are currently based on the consensus estimate of the population of 1.9 million in 2003, with an average size of the household estimated at 61_2 people. According to civil register data, the Economic Policy Department of the Ministry of Finance and Economy (MFE) estimated that the population above the age of 16 is 1,234,500. Using an average of the proportion of the population age 17 and above from the 2000 Living Standards Measurement Survey (62.8 percent), the December 2001 SOK labour market survey (64.1 percent), and the MFE estimates yields a population estimate of 1,948,000.

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